GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2745
ANSWERED ON:17.12.2004
EXTERNAL DEBT
Deora Shri Milind Murli

Will the Minister of FINANCE be pleased to state:

(a) whether internal and external debt has been increasing since 1999-2000;

(b) if so, the details therefor and its effect on the Indian economy;

(c) the percentage of this debt to the GDP during the above years;

(d) whether the Government by taking advantage of low interest rate of market loan pre-paid some of high interest bearing external loan and if so, the details thereof;

(e) whether some loan is being taken to check fiscal deficit and rising inflation; and

(f) if so, the results achieved therefrom?

Answer

Minister of State in Ministry of Finance (SHRI S.S. PALANIMANICKAM)

(a) to (c) Details of public debt including internal debt, and India`s total external debt since 1999-2000 along with their ratios to GDP are given in the following Table. The high magnitude of debt preempts resources away from investment in the private sector. It also increases the interest burden, leading to an increase in revenue deficit and also fiscal deficit, thereby resulting in higher debt. Table: Public Debt of Central Government and India`s total External Debt.

(Rs. Crore)

(End-March)

	99-2000	2000-01	2001-02	2002-03	2003-04
1. Public debt of Central Government (i+ii)	772691	869643	984607	1080301	1181428
i) Internal debt	714254	803698	913061	1020689	1134021 (RE)
ii) External debt#	58437	65945	71546	59612	47407 (P)
2. India`s Total external debt	428550 (98263)	471724 (101132)	481908 (98757)	498593 (104870)	488829 (112515)
3. Public debt-to-GDP ratio	39.9	41.3	42.9	42.1	42.6
4. India`s external debt-to-	22.1	22.6	21.1	20.2	17.6

GDP ratio

: at historic exchange rate P: Provisional; RE: Revised Estimate;
Note : Figures in brackets indicate US $ million.

(d) Encouraged by buoyant foreign exchange reserves and low level of domestic as well as international interest rates, Government of India effected premature retirement of high cost external loans during 2002-03 and 2003-04 amounting to US $ 2.9 billion and US$ 3.8 billion, respectively.

(e) & (f) The Government borrowings are undertaken to finance fiscal deficit.